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NCLC Report Finds Payday Lender Prepaid Cards Are Primed for Predatory Loans and Overdraft Fees

Full Report available at: <http://www.nclc.org/issues/payday-lender-prepaid-cards.html>

(WASHINGTON) All of the largest payday lenders sell prepaid cards specially designed to enable predatory loans and to generate additional fees from those loans, according to a new report from the National Consumer Law Center (NCLC). “Prepaid cards are normally a safe way to control spending, but payday lender prepaid cards let lenders grab a paycheck as it comes in and permit even more fees triggered by payday loans,” said Lauren Saunders, associate director at the National Consumer Law Center and author of [*Payday Lender Prepaid Cards: Overdraft and Junk Fees Hit Cash-Strapped Families Coming and Going*](#).

Most payday lender prepaid cards are provided by NetSpend, which offers cards for four of the top five payday lenders – Advance America, ACE Cash Express, Check ‘n Go, and Cash America – as well as many other companies.

“NetSpend is the only major prepaid card provider that has overdraft fees, and the biggest distributors of NetSpend cards are payday lenders, whose loans can trigger overdraft fees when they grab a breadwinner’s paycheck off the card,” Saunders explained. Insight Card Services, which provides cards for Quik Cash, Approved Cash, and CheckSmart stores, among other lenders, also provides prepaid cards that can incur overdraft fees.

“NetSpend raked in at least \$50 million in ‘prepaid’ card overdraft fees from cash-strapped families last year,” Saunders explained. If a payday loan triggers an overdraft, the already exorbitant cost of a typical \$300 loan soars from 390% APR to 520% APR, according to the report.

The U.S. Money Card sold by Check Into Cash does not have overdraft fees but it has other unusual fees triggered by payday loans. The card charges \$14.95 for a bounced electronic payment, \$4.95 for a successful electronic payment, and \$19.95 to stop payment. If a payday loan payment bounces twice and then is paid from the Check Into Cash card, the consumer will pay an extra \$34.85 *on top of* the payday loan fee.

“The Consumer Financial Protection Bureau should ban overdraft fees and other inappropriate fees on prepaid cards that drain precious dollars for so-called ‘protection’ that makes it harder for vulnerable families to make ends meet,” Saunders said.

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Since 1969, the nonprofit **National Consumer Law Center®** (NCLC®) has worked for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the U.S. through its expertise in policy analysis and advocacy, publications, litigation, expert witness services, and training. www.nclc.org